

**America's Health
Insurance Plans**

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November 26, 2018

The Honorable Hank Vaupel
Michigan House of Representatives
N-896 House Office Building
PO Box 30014
Lansing, MI 48909

Re: HB 6435 (PBM Transparency)

Dear Representative Vaupel:

I write today on behalf of America's Health Insurance Plans (AHIP) to provide our comments on HB 6435 regarding pharmacy benefit manager (PBM) reporting requirements.

AHIP is the national association whose members provide insurance coverage for health care and related services. Through these offerings, we improve and protect the health and financial security of consumers, families, businesses, communities and the nation. We are committed to market-based solutions and public-private partnerships that improve affordability, value, access and well-being for consumers.

We understand and support the legislature's interest to address the rising costs of drugs. Health plans unequivocally support efforts to lower list prices, be it voluntary price reductions by manufacturers, or legislative efforts to dis-incent price hikes, foster competition among generic and brand name drug-makers, and require transparency and justification in price-setting. In fact, a May 2018 AHIP analysis concluded that 23.2 cents out of every premium dollar go to pay for prescription drugs—making this the largest component of health care spending—with prescription drug spending outpacing the amount spent on physician services, office and clinic visits, or hospital stays. This is a conservative estimate because it excludes drugs used in hospital inpatient settings.

While we support your efforts to improve drug pricing transparency, we have two specific concerns with elements of HB 6435's language. First, we are concerned that Section 26 of the bill requiring PBMs to report aggregate rebate information at the contractual level is too granular and appears to establish a formula where drug specific rebates could be calculated. Making this type of information available in the public realm will likely create an even more anticompetitive pharmaceutical pricing environment and possibly increase drug costs even more.

Second, we agree that pharmacists should absolutely be able to tell patients about lower cost alternative medications. We believe this is already an industry-wide best practice and that PBM contracts do not include "gag clauses" today. However, we believe the language in Section 27

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with respect to “gag clauses” should be consistent with the recently-enacted federal law (S.2554 enacted October 10, 2018) which applies to all health coverage programs across the nation.

Finally, we want to draw your attention to a definition we have a concern with. The definition of “pharmacy benefit manager” in the legislation could potentially cause confusion about what entities are subject to the requirements and we believe that it could be improved and clarified.

We appreciate the opportunity to provide our feedback on HB 6435 and look forward to continued discussions with you. If you have any questions, please do not hesitate to contact me at mhaffenbredl@ahip.org (202-413-9817).

Sincerely,

A handwritten signature in cursive script that reads "Mary Haffenbredl". The signature is written in dark ink and is positioned above the printed name and title.

Mary Haffenbredl
Senior Regional Director, State Affairs